

FAUQUIER COUNTY BUSINESS REVENUE

Background:

During the past 10 years the value of business property tax revenue has increased from \$7.7 million to \$14.5 million. However growth in this area has slowed with basically no change from FY 2006 to FY 2007. During the same 10 year period the business property tax revenue as a percentage of the total value of property tax revenue has dropped from a high of 16.4% in FY 2005 to 12.6% in FY 2007. (See attached)

Rating Agency Comments:

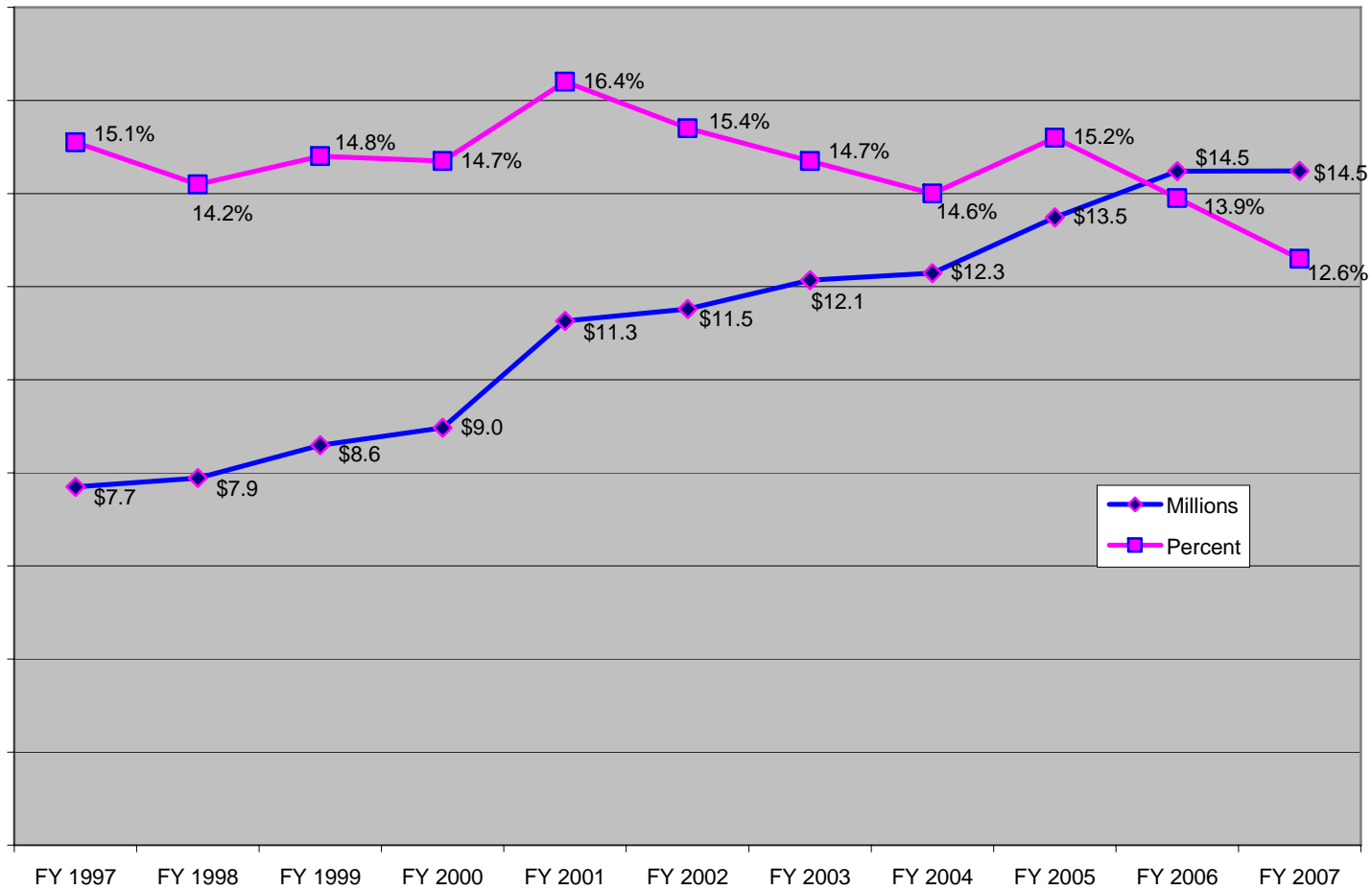
In September 2006 the three national rating agencies provided formal reports and updated bond ratings in anticipation of the County's \$39.6 million general obligation bond sale. In addition, the rating analysts provided County staff with informal recommendations to strengthen the bond ratings in the future. While all three reports referenced numerous strengths including conservative policies, low unemployment, high wealth levels, sound financial position and a favorable debt profile, all three agencies referenced the County's lack of a commercial revenue tax base as a negative factor. Standard & Poor's (S&P) report states "Tempering these strengths is a lack of depth in the county's own economic base and a historic aversion towards growth." In addition, S&P states "The county's local economy is somewhat shallow." Fitch Ratings report states "The county's limited economy and employment concentration in the construction sector are factored into the ratings." Moody's report states "While the county has benefited from commercial growth, residential growth has been the primary driver."

Sales Tax

The rate of growth in sales tax revenue has declined for the past several years with FY 2007 showing the smallest increase, 2.6%, in over a decade. FY 2008 is not expected to see a measurable change in this trend. (See attached)

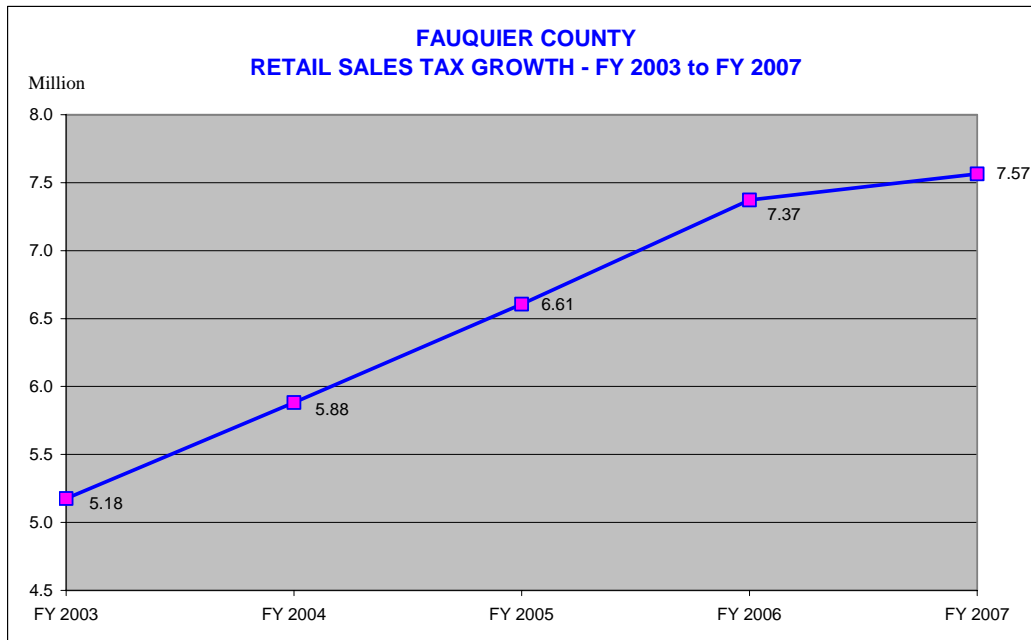
Note: Retail development growth in Gainesville, Culpeper and Stafford Counties appears to be attracting Fauquier citizens to these businesses.

COMPARISON OF FAUQUIER COUNTY BUSINESS REVENUE*



*Real Estate, Personal Property, Business Personal & Occupational License, Bank Franchise Tax, Business Property Assessed by the State Corporation Commission

FAUQUIER COUNTY SALES TAX HISTORY



Month	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY2006 Actual	FY2007 Actual
July	396,231.34	435,583.23	511,400.41	542,453.80	570,897.87	622,743.01
August	395,183.68	451,976.52	422,648.78	520,969.12	548,286.62	617,934.50
September	390,404.91	418,834.16	488,269.62	552,648.96	581,627.62	687,705.90
October	418,324.96	444,615.17	499,394.34	512,077.15	628,589.41	622,859.39
November	370,388.28	334,900.31	466,930.45	513,886.96	602,368.21	595,503.66
December	501,004.95	601,184.52	605,362.99	666,266.92	720,977.50	717,734.09
January	325,841.66	389,234.91	390,823.05	460,462.25	531,716.57	561,036.29
February	370,551.51	334,998.96	403,839.34	451,448.23	563,831.99	556,199.73
March	420,819.17	418,682.66	523,455.09	566,003.56	624,574.49	585,719.39
April	404,883.27	445,617.23	489,065.00	595,591.43	624,846.17	653,528.86
May	420,938.41	448,893.30	528,509.81	591,048.89	667,101.87	666,489.52
June	426,690.52	452,166.89	551,865.17	633,132.11	707,810.43	677,656.84
Total	4,841,262.66	5,176,687.86	5,881,564.05	6,605,989.38	7,372,628.75	7,565,111.18

Cumulative Collections as Percentage of Budget (July-June)

FY2007 Budget
(Deficit)

94.56%

8,000,000

(434,889)

FY2008 Budget

8,374,000

Growth Rates

5 year average annural rate	9.34%
4 year average annural rate	9.95%
3 year average annural rate	8.75%
2 year average annural rate	7.01%
Year over year FY 06/05	2.61%

Annual Growth

FY2002	4,841,262.66	
FY 2003	5,176,687.86	6.9%
FY 2004	5,881,564.05	13.6%
FY 2005	6,605,989.38	12.3%
FY 2006	7,372,628.75	11.6%
FY 2007	7,565,111.18	2.6%